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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California-American Water
Company (U210W) for Authorization to
Increase its Revenues for Water Service by
\$55,771,300 or 18.71% in the year 2024, by
\$19,565,300 or 5.50% in the year 2025, and
by \$19,892,400 or 5.30% in the year 2026.

Application 22-07-XXX

**DIRECT TESTIMONY OF KEVIN TILDEN
(FINAL APPLICATION)**

Sarah E. Leeper
Nicholas A. Subias
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
(415) 863-2960
sarah.leeper@amwater.com

Lori Anne Dolqueist
Willis Hon
Nossaman LLP
50 California Street
34th Floor
San Francisco, CA 94111
(415) 398-3600
ldolqueist@nossamna.com

Attorneys for California-American Water Company

Dated: July 1, 2022

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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application 22-07-XXX

DIRECT TESTIMONY OF KEVIN TILDEN
(FINAL APPLICATION)

I. INTRODUCTION

- Q1. Please state your name, business address, and telephone number.
- A1. My name is Kevin Tilden. I am President of California-American Water Company (“California American Water” or the “Company”)
- Q2. What are your responsibilities?
- A2. As President of California American Water, I am responsible for all aspects of its business, including financial, operations, production, distribution, customer service, engineering and capital investment planning, employee relations, environmental, and regulatory affairs. I lead a team of dedicated professionals who are devoted to providing safe and reliable service to approximately 187,00 water service customers and 2,500 wastewater service customers throughout the State of California. My goal is to ensure that all activities of the Company are carried out in compliance with all local, state and federal laws and regulations, and standards of good business practice.
- Q3. Please describe your educational background.

1 A3. I have an undergraduate degree from the University of Washington in 1991, and an MBA
2 from Pepperdine University in 1997. I have also attended NARUC rate school and
3 several leadership and diversity programs.
4

5 Q4. Please describe your professional experience.

6 A4. From 1991-1995 I worked for two leading California public affairs agencies. From 1995-
7 1997 I worked for Pacific Bell (now AT&T) on their broadband video project in public
8 affairs and local government relations. In 1998 I started with California American Water
9 as Director of External Affairs. Over time my role grew to include communications,
10 external affairs, government relations, water system consolidations, overseeing supplier
11 diversity and our business performance function prior to being appointed President in
12 October 2021.
13

14 Q5. Are you a member of any boards or professional associations?

15 A5. Yes, I am a member of the California Water Association Board (former Chair), the
16 California Chamber of Commerce and the California Foundation on Environment and
17 Economy. In addition, I am a past board member of Diversionary Theatre, the Gay &
18 Lesbian Victory Fund, the San Diego LGBT Center, San Diego Theatres and the San
19 Diego Convention Center.
20

21 Q6. Have you previously testified before the California Public Utilities Commission (the
22 “Commission”)?

23 A6. Yes. I have previously submitted testimony in several proceedings related to Monterey
24 water supply, including: A.04-09-019, A.08-01-027, and A.10-07-004.
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26 **II. PURPOSE OF MY TESTIMONY**

27 Q7. What is the purpose of your testimony?
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A7. The purpose of my testimony in this proceeding is to describe the reasons why the Company is seeking the requested relief in this filing. I will also discuss California American Water’s efforts to improve water efficiency, enhance reliability and resiliency, and address affordability. Additionally, I will provide information regarding California American Water’s involvement in the communities that it serves and the work that it has done to promote diversity. Last, I will discuss steps California American Water has taken to further the Commission’s Environmental and Social Justice (“ESJ”) goals.

Q8. Who will testify on behalf of the Company and what subjects will they address?

A8. In addition to my Direct Testimony, the following witnesses provide testimony in support of the Company’s Request:

Witness Name	Title	Subject of Testimony
Cullen, Scott	American Water Service Co. Inc. – Director of Tax Reporting and Compliance	Mr. Cullen will address income taxes, the Tax Cuts and Jobs Act, and the Average Rate Assumption Method.
Clarke, Michael	American Water Service Co. Inc. - Senior Manager, Accounting with Corporate Accounting	Mr. Clarke will address Balancing and Memo Accounts.

Witness Name	Title	Subject of Testimony
Cook, Christopher	California American Water –Central Division Director of Operations	Mr. Cook will address Central Division water service operations, including water supply constraints and water quality. Mr. Cook will also discuss wastewater service operational issues.
Crooks, Ian	California American Water – Vice President of Engineering	Mr. Crooks will address all engineering issues, including: Investment Projects (IP) projects, Strategic Capital Expenditure Plan (SCEP), tank painting, Comprehensive Planning Study (CPS)/geographic information system (GIS) expenses, engineering overhead, recurring projects (RP), certain agreed-upon capital projects, and construction work in progress.
Hofer, Garry	California American Water – Vice President of Operations	Mr. Hofer will address Northern Division and Southern Division operational issues, including acquisitions, water supply, water quality, and growth assumptions. Mr. Hofer will also address safety, efficiency, staffing and performance based compensation. Mr. Hofer additionally provides support for Special Request No. 17.
Linam, Jeffrey	California American Water – Senior Director of Rates & Regulatory	Mr. Linam will address Special Request Nos. 1 – 12 and 18, connection to policy direction and interaction with other proceedings.

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Witness Name	Title	Subject of Testimony
Mitchell, David	M.Cubed – Partner	Mr. Mitchell will address rate design, demand forecasts and econometric models and affordability metrics.
Morse, Jonathan	California American Water - Senior Manager of Rates & Regulatory	Mr. Morse will address exemplary tariffs, surcharges and Special Request No. 14 to extend the current 15% cap on the annual amortization of the Water Revenue Adjustment Mechanism / Modified Cost Balancing Account.
Owens, Stephen Wes	California American Water – Director of Rates & Regulatory	Mr. Owens will provide an overall summary of the Application and address the Rate Case Plan, Minimum Data Request content and referencing, Uniform System of Accounts regulatory accounts for operations and maintenance and administrative and general expenses, request for a chemical cost balancing account (Special Request No. 13), regulatory compliance issues, uncollectibles, earthquake insurance, corporate headquarters relocation, and allocations to Hawaii-American Water Company.

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Witness Name	Title	Subject of Testimony
Pilz, Patrick	California American Water – Senior Manager of Field Operations	Mr. Pilz will address conservation programs, elimination of the Monterey Joint Annual Conservation Report (Special Request No. 15), customer assistance conservation program recovery (Special Request No. 16), paperless billing opt-out pilot program (Special Request No. 19), customer assistance programs, expansion of hardship benefit program, changes to late payment fees (Special Request No. 20), customer assistance program data sharing program, and water loss performance standards.
Pourtaherian, Bahman	Blue Planet Consulting – Vice President of Regulatory Affairs	Mr. Pourtaherian will address operating revenues, customer count, other revenues, consumption, production costs (purchased water, power, pump taxes, chemicals), Results of Operation (“RO”) model, rate base components, lead/lag and operational working capital, property taxes, rate design modeling and customer rates.

Witness Name	Title	Subject of Testimony
Simon, Edward	California American Water – Director of Business Performance, and Officer, Business Development, Supplier Diversity and Inclusion and Diversity	Mr. Simon will address transportation costs, California American Water’s carbon-free fleet goals, inclusion, diversity and equity efforts, and the Commission’s Environmental and Social Justice Plan.
Watkins, John	American Water Service Co. Inc. - Senior Director of Regulatory Services	Mr. Watkins will address Service Company costs.

III. RELIEF REQUESTED

Q9. Why is California American Water filing this rate case?

A9. California American Water is filing this application in compliance with the Commission’s Rate Case Plan for Class A water utilities. Our customers rely on California American Water to provide them with safe and reliable water and wastewater services. Providing these services, however, requires us to make ongoing, significant capital investments, as well as to incur a substantial amount of operations and maintenance expenses.

Q10. What are the major drivers of California American Water’s need for rate relief?

A10. The main factors are infrastructure investment and changes related to the Commission’s prohibition against continuing the decoupling water revenue adjustment mechanism/modified cost balancing account (“WRAM/MCBA”).

1 Q11. Please address the Company's infrastructure investment to best serve the long-term
2 interest of customers.

3 A11. As explained by California American Water witness Ian Crooks, maintaining California
4 American Water's facilities requires substantial infrastructure investment. California
5 American Water's aging infrastructure must be continuously replaced so that California
6 American Water can continue to provide its customers with safe and reliable utility
7 service. The investments we make include improving the resiliency of California
8 American Water's distribution system and treatment plants, treatment changes to
9 maintain regulatory compliance, technology investments that will integrate with existing
10 systems to enhance service to customers, and management of source of supply and
11 system demands, all of which further job creation and maintenance within the State.
12 Studies have shown that for every \$1 million a water utility spends in capital,
13 approximately 16 jobs are created or sustained.¹ The benefits of our infrastructure
14 investment are vital to the health and welfare of our customers and the state.

15
16 As Mr. Crooks explains in his testimony, the Company's capital investment plan can be
17 divided into two distinct areas: recurring projects ("RPs" or "RP") and investment
18 projects ("IPs" or "IP"). IPs represent investments made to meet environmental or water
19 quality regulations, infrastructure capacity expansion or rehabilitation or replacement of
20 aging facilities. These projects allow California American Water to meet the service
21 demands of the community, maintain regulatory compliance and reduce asset failure. RPs
22 are critical investments for both California American Water and customers as these
23 investments support the backbone of the company's water and wastewater systems by
24 increasing both system resiliency and reliability. As Mr. Crooks explains in his Direct
25 Testimony, many of California American Water's capital projects are necessary to
26

27 ¹ For every \$1 million spent, five direct jobs and 11 indirect jobs are created.
28 [https://www.bafuture.org/sites/default/files/key-topics/attachments/impacts-of-water-utility-
sector.pdf](https://www.bafuture.org/sites/default/files/key-topics/attachments/impacts-of-water-utility-sector.pdf)

1 anticipate and meet the needs of new environmental, health and safety regulations and to
2 address the effects of climate change. As Mr. Crooks explains there are a host of
3 emerging compounds that must be addressed. In particular, perfluorooctanoic acid
4 (“PFOA”), 1,4-dioxane, and hexavalent chromium (chromium (VI)). PFOA is prevalent
5 in the Company’s Northern and Southern Divisions, specifically in groundwater sources
6 that have a history of impacts from other volatile organic compounds. Our customers rely
7 on us to keep current with investment needs so that we can anticipate and treat water to
8 achieve ever-tightening water quality standards and to anticipate situations that might
9 disrupt water or wastewater service reliability. We must also address the effects of
10 climate variability on each system’s reliability in the event of drought, wildfires, power
11 interruption, landslides, and other unforeseen events. For example, California American
12 Water experienced wildfires that caused system damage and impacted our infrastructure
13 in the Larkfield, Monterey, and Ventura service areas. In Monterey, the Garrapata system
14 experienced a landslide from a heavy rain event, which occurred adjacent to the
15 company’s storage tanks and resulted in the need to construct a structure retaining wall.
16 To address drought, we must diversify our water supply sources and properly maintain
17 our existing supplies. Many of our service areas are located in seismically active areas,
18 and we must upgrade our infrastructure to withstand the potentially catastrophic
19 consequences of earthquakes. Backup power is vital to continued water service in the
20 case of seismic events as well as extreme weather and wildfires, and we install generators
21 to maintain power to critical facilities in these situations. These carefully planned
22 investments continue to provide millions of people in the region with safe drinking water
23 and reliable sanitation services.

24
25 Q12. Please discuss how the Commission’s prohibition against continuing the decoupling
26 WRAM/MCBA affects California American Water’s request for relief.

27 A12. In D.20-08-047, the Commission directed California American Water and the other water
28 utilities to eliminate the decoupling WRAM/MCBA in their next general rate cases. The

1 decoupling WRAM/MCBA is one of the most effective conservation tools for
2 Commission-regulated utilities, and its loss undermines critical conservation efforts made
3 by California American Water. California American Water's current aggressive
4 conservation rate designs, which create a high level of revenue volatility, were developed
5 to be compatible with the decoupling WRAM/MCBA. Without the decoupling
6 WRAM/MCBA, California American Water will have an extremely difficult time
7 recovering its revenue requirement. The problem is particularly acute in our Monterey
8 area where the steeply-tiered conservation rate design is most aggressive and regulatory
9 limitations on water supply are the most restrictive.

10
11 Even with the loss of the decoupling WRAM/MCBA, California American Water
12 continues to propose conservation rates to incentivize efficient water use, including
13 adding conservation rates to our recently acquired systems. California American Water
14 is specifically proposing modifications to its rate designs, including seeking authorization
15 of a Monterey-Style Water Revenue Adjustment Mechanism ("M-WRAM"), incremental
16 cost balancing accounts ("ICBAs") for its San Diego and Ventura County districts, and
17 full cost balancing accounts ("FCBAs") for its Monterey, Los Angeles, Sacramento, and
18 Larkfield districts. The M-WRAM, ICBAs and FCBAs do not, however, address revenue
19 volatility due to conservation measures. The testimony of Jeffrey Linam provides details
20 of how these mechanisms, proposed as part of Special Request Nos. 1 and 2, will provide
21 some limited protection against water supply and revenue volatility in the absence of a
22 decoupling WRAM/MCBA.

23 24 **IV. IMPROVING WATER EFFICIENCY**

25 Q13. Please explain the concept of water efficiency.

26 A13. Water efficiency means using improved practices and technologies to deliver safe,
27 reliable and adequate water service more effectively. California American Water's water
28 efficiency efforts include supply-side practices, such as reducing non-revenue water

1 losses, using more efficient motors and pumps, pursuing purchasing economies and
2 employing GIS technology, as well as demand-side strategies, such as rate design and
3 public education programs. For example, leak detection programs can reduce the amount
4 of water, pressure, and energy required to deliver the same amount of water to consumers
5 and more efficient pumps and motors reduce power costs; the expanded use of
6 technology helps our crews to be more efficient in locating water and wastewater
7 facilities and quickly access system and customer information on a real-time basis.
8 Improving efficiency saves customers money in the end, enhances the economy, and
9 protects the environment.

10
11 Q14. How is the concept of water efficiency relevant to this case?

12 A14. Improving water and wastewater efficiency is a common thread that runs throughout the
13 entire fabric of this case. At its core, this case is about the investments that we are making
14 to best serve the long-term interest of our customers. Striving for increased water and
15 wastewater efficiency is evident in our infrastructure investments to provide a better,
16 more reliable system. This case also reflects changes to the way we do business to
17 improve water and wastewater efficiency. Likewise, our rate design proposals are
18 intended to provide incentives for the more efficient use of water and investment in our
19 system. Their purpose is to identify the appropriate price of water and wastewater service
20 and provide a rate structure that is consistent with that goal.

21
22 Q15. Please describe California American Water's efforts to encourage efficient use of water
23 through conservation.

24 A15. California is currently in the third year of drought and the entire state is under an
25 emergency drought declaration. Moreover, certain areas served by California American
26 Water, such as Monterey, face even great water supply challenges. The State of
27 California has introduced a new extensive legislative Conservation and Efficiency
28 Framework: "Make Conservation a California Way of Life" to establish a new foundation

1 for long term improvements in water conservation and drought planning and to adapt to
2 climate change and the resulting longer and more intense droughts in California. As
3 outlined in Patrick Pilz’s testimony, California American Water has been and continues
4 to prepare its service areas for achieving compliance with California’s new water use
5 objectives deriving from this new Conservation Framework. Furthermore, advancing
6 conservation and efficiency practices helps to lower customer bills, protects future water
7 supplies and helps to mitigate future drought impacts.

8
9 Q16. Please describe other efforts California American Water is making to promote efficient
10 use of water.

11 A16. As explained in Mr. Hofer’s testimony, advances in technology are allowing California
12 American Water to adjust its Advanced Metering Infrastructure (“AMI”) implementation
13 to correspond to its Length of Service (“LOS”) meter replacement program. As each
14 customer’s meter is replaced with AMI technology as part of the LOS program, that
15 customer will then receive the significant benefits of AMI technology. California
16 American Water will be able to provide customers with notification of possible leaks and
17 obtain real-time meter reads. Having the ability to monitor water usage in real-time will
18 reduce water waste.

19
20 California American Water’s ratemaking proposals also support the more efficient use of
21 water, more effective maintenance of our system, and more efficient investment in our
22 system. For example, California American Water’s rate design continues to incorporate
23 conservation pricing signals and encourages reduction of outdoor watering. Additional
24 information on California American Water’s conservation driven rate design and policy
25 proposals are in the Direct Testimonies of David Mitchell, Bahman Pourtaherian and
26 Jeffrey Linam.

1 **V. SAFETY**

2 Q17. Please discuss how California American Water has made safety a priority.

3 A17. Ensuring the health and safety of our employees and customers is a top priority and
4 critical to our success. California American Water's commitment to a safe work
5 environment is continually reinforced through its safety programs, communications, and
6 training. In addition to having a goal of zero injuries, where every employee goes home
7 each day injury-free, California American Water wants its employees to feel emotionally
8 safe and live a healthy lifestyle. Company-sponsored programs like myWellness and
9 Carebridge, the Company's Employee Assistance Program, focus on both the physical
10 and mental well-being of employees. In the wake of the George Floyd tragedy, the
11 Company instituted a number of on-line sessions to help employees manage the trauma
12 of this and other troubling societal events.

13
14 The importance of employee and customer safety was also evident during the COVID-19
15 emergency through the implementation of emergency customer protections, including the
16 suspension of shut-offs of residential customers for non-payment and reconnection of
17 residential customers who were previously disconnected for non-payment, as well as the
18 implementation of safety protocols for work in the field to service customers. California
19 American Water also implemented numerous safety-related protocols designed to keep its
20 employees safe – social distancing, masking requirements, health screenings, travel
21 restrictions, virtual meetings – and continues to monitor the pandemic and make
22 adjustments to minimize risk in the workplace.

23
24 More details on the significant resources California American Water devotes towards
25 creating and maintaining a safe work environment are in the Direct Testimony of Garry
26 Hofer at Section V.

1 **VI. RELIABILITY AND RESILIENCY**

2 Q18. Please discuss California American Water’s efforts to ensure the reliability and resiliency
3 of its water and wastewater service.

4 A18. California American Water believes it has proposed a capital plan that continues to be a
5 step in the right direction to address reliability and resiliency. For example, California
6 American Water systematically completes Comprehensive Planning Studies (“CPS”) to
7 identify projects that address short- and long-term needs through an analysis of system
8 deficiencies and improvements that will benefit safety and operations. These studies
9 combine system data with the knowledge of our engineering, operations, and water
10 quality staff to ensure we can continue to provide safe and reliable water and wastewater
11 service to our customers. A number of new systems have been acquired by California
12 American Water since 2019, and planning studies were recently completed to help inform
13 capital improvement programs for these systems.

14
15 In addition to planning studies, California American Water has completed condition-
16 based assessments (“CBA”) for water mains as well as pump stations in select service
17 areas. CBAs determine individual asset risk through a consequence of failure/likelihood
18 of failure analysis. The assessments provide guidance to engineering and operations staff
19 in prioritizing system improvements. A water main CBA was recently completed for the
20 Fruitridge water system and CBAs for other newly acquired systems are planned to be
21 completed in the near-term.

22
23 California American Water is also involved in studies and programs that address water
24 supply availability, redundancy, and resilience. We proactively search for the most viable
25 and resilient water sources to serve our customers. Special attention has gone to securing
26 water supply sources in our Monterey and West Placer service areas.

1 In our Monterey District, we have been preparing for reduced water supplies for decades.
2 We have been working diligently to secure water through the Pure Water Monterey
3 recycled water program. We have also evaluated the need for additional supplies, and as
4 a result continue to seek all authorizations required for desalination. We also invest in
5 Aquifer Storage and Recovery (“ASR”) and system operational improvements that
6 optimize supply reliability in an area with limited water resources.

7
8 In our West Placer service area, Placer County Water Agency (“PCWA”) is the sole
9 source of supply. However, PCWA has a limited amount of water supply available, and
10 we saw the need to complete an in-depth study of the supply sources available and weigh
11 factors such as cost, operability, and viability to determine the best path forward. The
12 study included potential involvement in the Sites Reservoir Project, securing additional
13 sources of water from Natomas Mutual Water Company and PCWA, and options to
14 procure new water rights in conjunction with an ASR system.

15
16 In our San Diego and Ventura Districts, we rely on purchased water to serve our
17 customers. We recognize that the dependence on other water suppliers is a potential risk.
18 For this reason, we are completing Integrated Water Supply Plans that are intended to
19 study alternative supply sources and improve supply resilience.

20
21 In 2021, California American Water also completed a High Risk Asset Management
22 analysis. Each company asset was evaluated for consequence of failure and likelihood of
23 failure to determine overall risk. Assets that were determined to be high risk were
24 assigned mitigation measures to address the risk.

25
26 In 2020 and 2021, California American Water completed risk and resilience studies in
27 compliance with America’s Water Infrastructure Act of 2018. This is a federal law that
28 requires water suppliers with greater than 3,300 customers to prepare a risk assessment

1 and emergency response plan. The assessment includes an evaluation of capital and
2 operational needs for risk and resilience management for each water system.

3
4 Given the increasing occurrence, duration, and intensity of wildfires in California,
5 California American Water is completing an assessment of the wildfire risk to assets in
6 areas identified by Cal Fire as high wildfire risk zones. The assessment includes the
7 following service areas: Monterey, Thousand Oaks, Duarte, Larkfield, and Hillview. The
8 intent is to identify the most critical and vulnerable assets and develop an emergency and
9 protection plan. The studies will produce a list of recommendations that will help protect
10 our assets as well as ensure that our customers receive the best possible service during an
11 emergency wildfire event.

12
13 California American Water recognizes the catastrophic consequences of seismic events to
14 water infrastructure, particularly storage tanks. A seismic evaluation of the tanks in our
15 Ventura and Los Angeles Districts was recently completed. This study combined
16 geotechnical, condition-based, structural, and hydraulic analyses of our storage tanks to
17 determine operational and capital improvement projects to assist in protecting our water
18 storage during seismic events. California American Water is also seeking approval to
19 purchase earthquake insurance coverage.

20
21 Details on all of the infrastructure investments to promote reliability and resiliency are
22 included in the Direct Testimony of Ian Crooks. The Direct Testimony of Wes Owens
23 discusses California American Water's earthquake insurance request.

24
25 **VII. VALUE OF WATER AND AFFORDABILITY**

26 Q19. Do California American Water's customers receive good value for the water service the
27 Company provides?
28

1 A19. Absolutely. Most Americans are unaware of the cost of the vast infrastructure required to
2 treat and deliver safe and reliable water to their homes. Americans pay less for tap water
3 than do residents of most other developed nations. Water is also typically the utility that
4 makes up the lowest percentage of household budgets – less than gas, telephone, cable,
5 and electricity. When customers appreciate the true value of water, it not only helps water
6 utilities to continue to provide customers with safe and reliable water service, but it also
7 has the added benefit of encouraging more conservation and helping ensure a sustainable
8 supply for future generations.

9
10 Q20. How does California American Water maintain the affordability of its water service?

11 A20. In addition to delivering our services in the most efficient, cost-effective ways to benefit
12 all of our customers, California American Water also offers several targeted customer
13 assistance programs to help our most vulnerable customers. As addressed by Patrick Pilz,
14 California American Water is proposing to increase discounts under its Customer
15 Assistance Program to yield greater customer benefits, requesting to continue its
16 Hardship Program in all service areas to prevent customers from being turned off for
17 nonpayment, proposing to eliminate late payment fees for residential customers, offering
18 flexible payment plans and proposing to continue conservation direct install programs for
19 low income customers to reduce water bills.

20
21 California American Water is also making several Special Requests to consolidate or
22 normalize costs statewide: consolidation of transmission and distribution costs (Special
23 Request No. 4), normalization of acquisition revenue requirements (Special Request No.
24 5), and normalization of catastrophic event costs (Special Request No. 6). These
25 consolidation requests will moderate any single district rate impacts and help keep safe
26 and reliable water service affordable for all customers. For example, the impact to an
27 individual district that survived a catastrophic event can be unduly burdensome, but those
28 events can and do occur across the entire State. Normalizing catastrophic event costs

1 statewide mitigates rate shock and provides necessary support for customers when they
2 need it most.

3
4 Q21. Did California American Water take steps to address financial hardships that customers
5 may have experienced related to the COVID-19 pandemic?

6 A21. Yes. California American Water took action to help protect all customers, including its
7 most vulnerable customers, during the COVID-19 emergency, including the suspension
8 of shut-offs of residential customers for non-payment and reconnection of residential
9 customers who were previously disconnected for non-payment. California American
10 Water also waived late payment fees and applied for and received \$6.3 million from the
11 California Water and Wastewater Arrearage Payment Program, which it applied to
12 customer arrearages incurred during the pandemic. Over 10,000 California American
13 Water customers received bill relief. Additionally, California American Water provided
14 information for customers regarding financial assistance for water bills from the
15 California COVID-19 Rent and Utility Relief Program and has taken steps to facilitate
16 customer participation in the newly enacted Low Income Household Water Assistance
17 Program. California American Water also offers payment plans of up to 12 months.

18
19 **VIII. COMMUNITY INVOLVEMENT AND DIVERSITY**

20 Q22. Does California American Water play an active role in the communities it serves?

21 A22. Yes. California American Water is a responsible corporate citizen and is known for its
22 community involvement and volunteerism. Our management team encourages our
23 employees and their families to be active volunteers in the communities we serve.

24
25 Our employees live and work in the communities we serve, and we are proud of the
26 employees who coach youth sports, serve on school PTA's, are active in their mosques,
27 churches, temples or other religious institutions and find other ways to make a positive
28 impact on their community. California American Water believes in supporting our

1 employee engagement and in investing in innovative programs that align with our core
2 business of water and wastewater service. As an organization, California American
3 Water focuses community investments in four key areas: (1) water and the environment;
4 (2) water and healthy living; (3) environmental education; and (4) community growth and
5 sustainability. We work with several community-based partners throughout our service
6 areas to positively impact the overall quality of life where our employees, customers and
7 neighbors live and work. It takes more than a one-time grant or volunteer effort to make
8 a lasting difference – so we seek out and support organizations that understand how to
9 best meet the needs of the community. The following is an overview of the activities
10 California American Water and its employees’ support:

- 11
12 • Each year, we undertake our signature program, Operation Gobble. Last year
13 during Thanksgiving, we gave out more than \$74,000 in direct assistance to the
14 communities we serve through vouchers, supermarket gift cards and direct
15 contributions to food pantries and organizations dedicated to nourishing the
16 communities we serve. Before COVID, we would purchase thousands of turkeys
17 around the state and partner with community leaders to supply the turkeys directly
18 to families in need and by partnering with local groups like food banks,
19 community centers and youth organizations to help them in their efforts.
20 Employees around the state would mobilize to help distribute the turkeys.
- 21
22 • In addition, the American Water Charitable Foundation (the “Foundation”)
23 supports employees in their own charitable endeavors, provides support for
24 targeted disaster relief efforts and provides funding for higher level initiatives
25 related to clean water, conservation, education and community sustainability. In
26 2021, the Foundation donated \$250,000 to build an all-inclusive splash pad at
27 Veterans Park in our Imperial Beach service area. This splashpad will provide the
28 community with the first free, family-friendly water play experience. Designed to

1 accommodate people with mobility issues, the splashpad demonstrates Imperial
2 Beach's commitment to water stewardship through a variety of sustainability
3 elements, including a recirculation system to conserve water and designs to
4 specifically reduce loss of spray and run off water. Poor water quality caused by
5 the Tijuana River means that on many days the residents are advised not to swim
6 on local beaches. The splashpad means that kids in our service area will have a
7 safe, enjoyable water experience.

- 8
- 9 • In 2021, California American Water made about \$140,000 in contributions to 136
10 organizations in our service areas throughout the state. From the American River
11 Parkway Foundation to the Boys and Girls Club of Monterey County to the
12 Manna Conejo Valley Foodbank, we are proud to partner with organizations
13 doing good work for our customers.
- 14

15 Q23. What steps has California American Water taken to promote diversity?

16 A23. California American Water sees diversity as a vital element in creating an environment
17 where differences are accepted and are important to the company's success. California
18 American Water values and promotes diversity in its workforce and aims to reflect the
19 local communities it services through the people it employs, wherever possible. For
20 example, California American Water leadership has been charged with the goal, which in
21 turn is tied to their performance compensation, of increasing recruitment and retention of
22 diverse employees and candidates. throughout the company. California American
23 Water's Board of Directors also reflects the company's commitment to inclusion and
24 diversity. Of the seven Directors on California American Water's Board, four Directors
25 are women, and three Directors identify as ethnically or racially diverse. As for myself, I
26 am the first openly gay President of California American Water. In 2021 California
27 American Water also added an Officer, Business Development, Supplier Diversity and
28 Inclusion and Diversity position, and Ed Simon was elected to serve in this position.

1 California American Water has also continued its strong commitment to partnership with
2 diverse business enterprises. In 2021, 47.82% of our procurement spend was with
3 diverse-owned businesses. California American Water has met or exceeded the
4 Commissions supplier diversity goal since 2010.

5
6 As detailed in the testimony of Ed Simon, the company further demonstrates its
7 commitment to inclusion, diversity and equity through its Inclusion, Diversity and Equity
8 Champions team. This team provides weekly Inclusion, Diversity and Equity
9 communications to all employees that highlight, promote and coordinate various diversity
10 events, celebrations and trainings throughout the year.

11
12 **IX. ENVIRONMENTAL AND SOCIAL JUSTICE**

13 Q24. What has California American Water done to further the goals set forth in the
14 Commission’s Environmental and Social Justice Action Plan (“ESJ Plan”)?

15 A24. In its ESJ Plan the Commission noted that ESJ communities are commonly identified as
16 those where residents are predominantly communities of color or low-income, subject to
17 a disproportionate impact from one or more environmental hazards, and likely to
18 experience disparate implementation of environmental regulations and socio-economic
19 investments in their communities.² ESJ communities also include, but are not limited to,
20 disadvantaged communities, all Tribal lands, low-income households, and low-income
21 census tracts.³ Some of California American Water’s customers fit within this definition
22 of ESJ communities. As indicated in the Commission’s work plan to support
23 environmental and social justice, many of these goals are to be achieved through
24 Commission actions, not actions of the entities regulated by the Commission.⁴
25 Nonetheless, as set forth in the Direct Testimony of Edward Simon, the relief requested

26
27 ² ESJ Action Plan, p. 9.

28 ³ *Id.*, pp. 9-10.

⁴ *See* ESJ Action Plan, Appendix A.

1 by California American Water in this application generally furthers the Commission's
2 ESJ goals.

3
4 For example, and as noted above, California American Water maintains several targeted
5 customer assistance programs to help our most vulnerable customers and is proposing to
6 increase the Customer Assistance Program ("CAP") discount for its CAP customers from
7 20 to 25%, and from 30 to 35% in Monterey. The proposed changes to the CAP
8 customer discount mitigates rate impacts to our low income customers. California
9 American Water's rate policies and rate design discussed in the Direct Testimony of
10 Jeffrey Linam, Bahman Pourtaherian and David Mitchell also takes affordability into
11 consideration. California American Water also has several proposals to consolidate or
12 normalize costs to prevent undue burdens on any single district. The company is
13 additionally proposing to phase-in the rate increase for the Monterey Wastewater District,
14 which has significant infrastructure needs but a small base of customers. California
15 American Water is proposing infrastructure projects that improve reliability and water
16 quality for disadvantaged customers, as discussed in Ian Crook's testimony. For
17 example, the company is working to complete battery storage projects in the Southern
18 and Northern Divisions, installation of a micro-hydroelectric turbine in San Diego, and is
19 requesting funding to create a roadmap to a carbon-free fleet. Ed Simon's testimony
20 provides detail on California American Water's commitment to diversity, inclusion and
21 equity through, among other items, its supplier diversity program, required allyship and
22 unconscious bias training and Inclusion and Diversity Grant Program.

23
24 Q25. Does this conclude your testimony?

25 A25. Yes.